

Message Text

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SUBJECT: 55TH ECOSOC: REVIEW AND APPRAISAL

REF: GENEVA 4066, GENEVA 4082, GENEVA 4115

1. COMMENTS FOLLOW ON PARAS 17-46 OF WORKING PAPER ON REVIEW AND APPRAISAL REFTEL.
2. IN PARA 24 PROPOSE IN PLACE OF THE WORDS "HAS REMAINED UNSATISFACTORY" THE FOLLOWING LANGUAGE: "LEAVES ROOM FOR FURTHER IMPROVEMENT."

3. IN PARA 24(C) PROPOSE DELETION OF SENTENCES BEGINNING "THIS IS DUE INTER ALIA," AND "EVEN THE MODEST BENEFITS." PARA 24(C) IS AN IMBALANCED ASSESSMENT OF GSP AND EFFORTS SHOULD BE MADE TO HAVE THE PARAGRAPH GIVE A BALANCED ACCOUNT. AS INDICATED BY THE REPORT OF THE SECRETARY UNCLASSIFIED

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GENERAL OF UNCTAD I, PART II, CHAPTER II AND BY THE TITLE OF UNCTAD RES 21(II) "PREFERENTIAL OR FREE ENTRY OF EXPORTS OF MANUFACTURES AND SEMI-MANUFACTURES OF DEVELOPING COUNTRIES TO THE DEVELOPED COUNTRIES," GSP WAS INITIATED

AS A MEASURE TO PROMOTE THE EXPANSION AND DIVERSIFICATION OF THE EXPORT TRADE OF DEVELOPING COUNTRIES IN MANUFACTURES AND SEMI-MANUFACTURES IN ORDER TO REDUCE THEIR DEPENDENCE UPON THE EXPORT OF PRIMARY PRODUCTS AND TO ENABLE THEM TO ATTAIN INCREASED PARTICIPATION IN THE GROWTH OF INTERNATIONAL TRADE. REDUCTIONS OF MFN DUTIES ARE UNLIKELY TO RESULT IN TRADE LOSSES TO THE DEVELOPING COUNTRIES AS IS IMPLIED BY THE PARAGRAPH. AS IS POINTED OUT IN A RECENT

GATT STUDY (COM.IND/W/111) AND ADD. 1. PARA 12), THE ACTUAL OPERATION OF THE VARIOUS GSP SYSTEMS IS SUCH THAT PREFERENTIAL ACCESS IS NOT UNLIMITED WITH THE CONSEQUENCES THAT (1) MFN TARIFF REDUCTIONS WILL FREQUENTLY BE IMPORTANT TO DEVELOPING COUNTRIES FOR THEIR EXPORTS BEYOND THE INDIVIDUAL COUNTRY TARIFF QUOTA CEILINGS, OR UNDER THE PROPOSED U.S. SYSTEM WHERE THE COMPETITIVE NEED FORMULA HAS BECOME APPLICABLE, AND (2) MFN REDUCTIONS WILL IN MANY CASES NOT REDUCE THE AMOUNT OF PREFERRED EXPORTS BUT MAKE ADDITIONAL EXPORTS EASIER. IT DOES NOT THEREFORE NECESSARILY FOLLOW THAT A REDUCTION OF MFN TARIFFS WILL RESULT IN A TRADE LOSS TO DEVELOPING COUNTRIES. MOREOVER, SINCE GSP SYSTEMS HAVE BEEN ESTABLISHED AS TRANSITIONAL AND MFN REDUCTIONS WILL BE STAGED, THE CHANCES FOR LARGE ABRUPT CHANGES IN PREFERENTIAL MARGINS ARE MINIMAL. FURTHERMORE IT IS VERY MUCH IN THE INTERESTS OF THE DEVELOPING COUNTRIES TO SEE THAT THE TARIFF LEVELS TO WHICH THEY RETURN WHEN GSP IS PHASED OUT ARE AS LOW AS POSSIBLE. IT WILL FACILITATE THEIR CURRENT INVESTMENT PLANNING TO BE ABLE TO LOOK FORWARD TO PERMANENTLY REDUCED TARIFF AND NON-TARIFF BARRIERS. CONSEQUENTLY, THE BEST POSSIBILITY FOR THE DEVELOPING COUNTRIES TO IMPROVE THEIR INTERNATIONAL TRADE OPPORTUNITIES IS FOR THEM TO PARTICIPATE EFFECTIVELY IN THE FORTHCOMING MULTILATERAL TRADE NEGOTIATIONS. THE LANGUAGE OF PARA 24(C) SHOULD INDICATE THE IMPORTANCE TO THE DEVELOPING COUNTRIES OF THE MTN. THE USDEL MAY PROPOSE THE FOLLOWING SENTENCE TO REPLACE THE SENTENCE UNCLASSIFIED

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BEGINNING "EVEN THE MODEST BENEFITS..." "THE FORTHCOMING MULTILATERAL TRADE NEGOTIATION PROVIDE THE DEVELOPING COUNTRIES THE PRINCIPLE CHANCE DURING THE SECOND DEVELOPMENT DECADE TO NEGOTIATE EFFECTIVELY FOR INCREASED INTERNATIONAL TRADE OPPORTUNITIES.

4. RE PARA 24(D), THE COMMITMENT MADE IN PARAS 25, 33 AND 34 OF DD II IS THAT DEVELOPING COUNTRIES WOULD NOT, ORDINARILY, RAISE EXISTING TARIFF OR NON-TARIFF BARRIERS TO EXPORTS FROM DEVELOPING COUNTRIES. THE U.S. IN ITS RESERVATIONS ON DD II STATED THAT IN THESE AND EARLIER COMMITMENTS "IT IS EXPLICITLY RECOGNIZED THERE MAY BE EXCEPTIONAL CIRCUMSTANCES WHICH MAKE IT IMPOSSIBLE TO

GIVE EFFECT TO THE RECOMMENDATION." IN PARA 24(D) THE USDEL SHOULD PROPOSE THE ELIMINATION OF THE FIRST SENTENCE SINCE IT INACCURATELY CONVEYS THE NATURE OF THE COMMITMENT.

5. RE PARA 24(F), THE DEVELOPED AND DEVELOPING COUNTRIES HAVE MADE SUBSTANTIAL PROGRESS IN MOVING TOWARDS THE MTN WHICH IS THE PRINCIPAL CONTEXT IN WHICH PROGRESS

CAN BE MADE TO IMPLEMENT THE TRADE OBJECTIVES OF DD II. USDEL SHOULD PROPOSE LANGUAGE RECOGNIZING THIS PROGRESS.

6. FURTHER COMMENT ON PARA 24 D. NEXT TO LAST SENTENCE SHOULD READ: "THOUGH SOME QUANTITATIVE RESTRICTIONS HAVE BEEN RELAXED OR REMOVED OVER THE PAST TWO YEARS BY CERTAIN DEVELOPED COUNTRIES, NON-TARIFF TRADE BARRIERS ARE STILL A CONSIDERABLE PROBLEM." LAST SENTENCE THIS PARA SHOULD BE DROPPED.

7. RE PARA 31, THE U.S. AGREED TO TAKE ADJUSTMENT ASSISTANCE ACTIONS ONLY IN SITUATIONS WHERE INDUSTRIES, FIRMS OR WORKERS ARE, OR ARE THREATENED TO BE, ADVERSELY AFFECTED BY INCREASED IMPORTS. THIS IS IN ACCORD WITH PARA 35 OF DD II. NO COMMITMENT WAS MADE IN DD II TO PROMOTE MARKET OPPORTUNITIES FOR IMPORTS FROM DEVELOPING COUNTRIES THROUGH ADJUSTMENT ASSISTANCE. USDEL SHOULD PROPOSE ELIMINATION OR REVISION OF SENTENCE BEGINNING "HOWEVER, MOST DEVELOPED COUNTRIES."
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8. PARA 25. SUBSTITUTE "IMPORTANT" OR "CENTRAL" FOR "CRUCIAL."

9. PARA 25 A. APPARENTLY FIGURES IN THIS PARAGRAPH DO NOT INCLUDE INTEREST PAYMENTS AND PRIVATE VOLUNTARY GRANTS, WHICH ARE RECOGNIZED BY DAC. AT CIFT MEETING UNCTAD SECRETARIAT INDICATED IT IS LEGITIMATE TO COUNT LATTER FIGURES. WE HAVE OPPOSED NET TRANSFER (NET OF INTEREST) CONCEPT. ALTHOUGH IDS REFERS TO NET TRANSFERS IN PARAGRAPH 43, AT THAT TIME THIS DID NOT IMPLY NETTING OUT OF INTEREST PAYMENTS. WE SUGGEST THAT DISCREPANCIES WITH OECD DAC DATA BE RECONCILED IN A FOOTNOTE. FOR EXAMPLE, IN 1970 DAC FIGURES WERE .80 AND IN 1971 THEY WERE .83 WHICH IS ABOUT .10 HIGHER THAN FIGURES IN PARA 25 A.

10. PARA 25 B. WE QUESTION IMPLICATION OF SIZEABLE TRANSFERS AT SOFT TERMS IN PARA B. ODA FROM SOCIALIST COUNTRIES OF EASTERN EUROPE GENERALLY IS ON HARDER TERMS THAN DAC TERMS.

11. PARA 25 C. FIRST TWO SENTENCES SHOULD BE QUALIFIED AS FOLLOWS: "IN THE FACE OF, PARTICULARLY, A LEVEL OF OFFI-

CIAL DEVELOPMENT ASSISTANCE WELL BELOW THEIR REQUIREMENTS,
SOME DEVELOPING COUNTRIES HAVE HAD INCREASINGLY TO RESORT
COMMERCIAL LOANS AT HIGHER COSTS. AS A CONSEQUENCE, THE
BURDEN OF EXTERNAL INDEBTEDNESS OF SOME COUNTRIES IS

BECOMING MORE PRESSING.

12. PARA 30. OMIT LAST PART OF PARAGRAPH BEGINNING WITH
"SUCH TRANSFERS..."

13. PARA 33. OMIT "WITH A VIEW TO WITHDRAWING THEM." WE
SHOULD NOT IMPLY AN INTENT TO CONSIDER WITHDRAWING ALL
RESERVATIONS SINCE SOME OF THEM REFLECT NECESSITY OF
OBTAINING CONGRESSIONAL AUTHORIZATION.

14. PARA 46. AFTER "DEVELOPING COUNTRIES" ADD "SHOULD
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MAKE EVERY EFFORT TO COMPLETE..." ROGERS

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